GOVERNMENT OF INDIA
COAL
LOK SABHA

UNSTARRED QUESTION NO:4813
ANSWERED ON:09.05.2007
DECLINE IN THE PROFIT MARGIN OF CIL
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Will the Minister of COAL be pleased to state:

(a) whether the Government has assessed the decline in the profit margin of Coal India Limited (CIL) during the year 2006-07;

(b) if so, the details thereof alongwith the total profit of the company and the percentage of the profit which constitutes of the capital investment therein;

(c) whether there is any proposal to increase the profit margin of the company;

(d) if so, the details thereof and if not, the reasons therefor; and

(e) the measures taken by the Government to increase the profit margin of the company?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COAL (DR. DASARI NARAYANA RAO)

(a) Against the budgeted profit of Rs.7,014 crore, Coal India Limited (CIL) and its subsidiaries have made profit (Provisional) of Rs.8,213 crore in 2006-07.

However, the provisional profit figure of 2006-07 has declined by Rs.464 crore compared to profit of Rs.8,677 crore during the preceding year (2005-06).

The main reasons for decline in profit against last year (2005-06) are :

i) Increase in the cost of production due to factors such as inflation, wage award, etc. by 2.28% and no upward revision in the sale price.

ii) Discontinuance of E-marketing of coal from December, 2006.

(b) Figures of profit before tax and capital employed in CIL and subsidiary companies are given below :

Year	(Rupees in crore) Profit	Capital employed	Profit as a %age of Capital employed
2005-06	8677	13667	63.49 %
2006-07 (Prov)	8213	16673	49.26 %

(c) Profit of CIL has been projected at Rs.8,462 crore for the year 2007-08 with a production target of 384.51 million tonnes. Percentage growth in production and profit have been envisaged as 6.49% and 3.04% respectively.

(d) Profit target for 2007-08 for each company is given below :

(Rs. in Crore) COMPANY	Profit Target for 2007-08
ECL	184.07
BCCL	48.24
CCL	1191.61
NCL	2131.69

WCL	676.22
SECL	2001.27
MCL	1901.36
NEC/CIL/CMPDIL	2367.01
TOTAL	10501.47
LESS DIVIDEND	2039.16
OVERALL PROFIT	8462.31

(e) The steps taken by Coal India Limited for increasing the profit margin of the company are as follows :

i) Increasing production of underground mines by using more number of Side Discharge Loaders/Load Haul Dumpers (SDLs/LHDs) and introduction of Mass Production Technology wherever feasible.

ii) Increasing productivity of men and machines.

iii) Regulating controllable costs.

iv) Improvement in quality of coal.

v) Rationalization of manpower by closing down mines which are technically and economically unviable.

vi) Agreement with equipment supplies on gain/loss sharing basis.